

**CONSUMERS ILLINOIS WATER COMPANY**

**REVISED DIRECT TESTIMONY**

**OF**

**CRAIG M. CUMMINGS**

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**WITNESS IDENTIFICATION AND BACKGROUND**

**Q. Please state your name and business address.**

A. Craig M. Cummings, 322 North Gilbert Street, Danville, Illinois 61834.

**Q. By whom are you employed and in what capacity?**

A. I am Executive Vice President and General Manager of Consumers Illinois Water Company ("CIWC" or "Company").

**Q. Please state your educational, professional and business background and experience leading up to your current position.**

A. I graduated from Eastern Illinois University, Charleston, Illinois in May 1980, receiving a Bachelor of Science Degree in Environmental Biology. My professional affiliations include the Illinois Section of American Water Works Association, in which I am the immediate past Chairman and also sit on the Education Committee. Other professional affiliations include the National Association of Water Companies and the Illinois Potable Water Operators Association of which I served as President in 1998. I hold a Class A Water Operators Certification from the State of Illinois. I also serve as laboratory director for the Company's Illinois Department of Public Health (IDPH) regulated laboratory. My 20 years of water utility experience includes employment in 1979 as a summer university intern at Kankakee Water Company (now Consumers Illinois Water Company) in which I worked in all phases of production and maintenance at the Kankakee treatment plant. Following

1 my graduation from college in 1980, I worked as a laboratory analyst/operator for the City  
2 of DeKalb, Illinois, a deep well groundwater supply. During my employment with DeKalb,  
3 I was involved with the day-to-day maintenance and operation of the deep wells. I also  
4 attained top Illinois Environmental Protection Agency (IEPA) certification as a water  
5 plant operator and was also certified by the IDPH to work in a water quality laboratory. In  
6 May 1983, I assumed the position of Treatment Technician/Laboratory Director with the  
7 City of Decatur, Illinois. In this position, I supervised the City's two treatment plants,  
8 including all operations and laboratory personnel. In May 1989 I assumed the position of  
9 Production Manager for Inter-State Water ("ISW") Company, (now Consumers Illinois  
10 Water Company), in which I was responsible for the operations within the Production  
11 Department. My duties included, among other things, preparing annual and long-term  
12 capital and operating budgets, personnel supervision, planning and design input for the  
13 construction of the new ISW treatment facility and the operation and maintenance of the  
14 Company's dam and source of supply, Lake Vermilion. I was promoted to my current  
15 position of Executive Vice President and General Manager in February 1994.

16  
17 **Q. What are your responsibilities as Executive Vice President and General Manager of**  
18 **CIWC?**

19 **A.** I have overall responsibility for the day-to-day operations of the Vermilion Division. I also  
20 assist the Company President and other officers in developing goals and objectives for the  
21 Company and in administering policies and procedures as approved by the Board of  
22 Directors of the Company. It is my responsibility to ensure that these goals and objectives  
23 are achieved. I, along with other Company officers, represent the Company before  
24 governmental and regulatory agencies. I, along with others, formulate financial objectives  
25 and budgets and provide the direction necessary to meet those objectives while remaining  
26 within budgetary guidelines. I am part of the management team, which establishes  
27 employee levels, working conditions, and safety requirements within guidelines established  
28 by the Board of Directors and the President of the Company. My responsibilities include

1 establishing guidelines for negotiation of labor contracts with the labor union representing  
2 employees in the Vermilion Division, as well as other special contracts. I have the  
3 responsibilities associated with developing and controlling the Company's operating and  
4 maintenance and capital budgets, as well as providing direction in the areas of  
5 construction, purchases or other acquisitions, operation, maintenance and protection of all  
6 property, facilities and equipment required to maintain water quality standards and  
7 continuity of service.  
8

9 **Q. Have you previously testified in regulatory matters?**

10 A. Yes. I testified before this Commission in Consumers Illinois Water Company, Docket 95-  
11 0237, which addressed the need for land rights to conduct groundwater testing; Docket  
12 97-0351, a rate proceeding; Docket 98-0265, a certificate case; Docket 99-0449, a  
13 financing case; and most recently, Docket 00-0337, a rate proceeding.  
14

15 **Q. Are you familiar with the property, business and operations of the Vermilion**  
16 **County Division?**

17 A. Yes, I am.  
18

19 **Q. What is the purpose of your testimony?**

20 A. The purpose of my testimony is to sponsor CIWC Exhibit 3.1, which contains historical  
21 data regarding QIP Surcharge for the Vermilion Division. The data is required by Part  
22 656.90 (1)(b). In addition, I will discuss the specific needs of the Vermilion Division with  
23 regard to infrastructure replacement. I sponsor CIWC Exhibit 3.2, which is a report that  
24 details the infrastructure program for the Vermilion Division.  
25

26 **Q. Would you address the specific needs of the Vermilion Division in this regard?**

27 A. The Division has several significant, unique and pressing needs with respect to  
28 infrastructure investment in the coming years. Specifically, the replacement of private

1 water lines, the replacement of undersized water mains, the absence of fire hydrants in  
2 populated areas, the presence of fire hydrants on undersized water mains and distribution  
3 system caused water quality and/or low pressure complaints are all critical issues which  
4 must be addressed by the Division. In addition, meters need to be replaced due to the  
5 advanced age of the current meters in the system.

6  
7 **Q. What are private water lines?**

8 A. Private water lines are the result of the business practices of the owners prior to the  
9 Company being purchased by Consumers Water Company in 1986. The previous owners  
10 allowed customers desiring service, but not fronted by a water main, to connect the  
11 nearest water main via a long individual service line or a line installed to serve several  
12 residences or business. This practice avoided any cost to the previous company for a  
13 properly sized water main extension. It did, unfortunately, allow for improperly installed  
14 water lines of unspecified materials to be connected to the then existing distribution  
15 system. Several of these lines are known to traverse private property, alleys, etc. The best  
16 estimate of the total lineal footage of these private lines in the Division equate to  
17 approximately 27 miles of pipe. This detail is outlined in an in-house report titled *Water*  
18 *Main Replacement Prioritization Program* ("Program") completed for the Division by  
19 Company engineers, which addresses the prioritization of water main replacement  
20 projects, including the replacement of private water lines. Although not specifically called  
21 out in the report, the program will also address the installation of new and replacement fire  
22 hydrants, new and replacement valves and replacement service lines. These items are all  
23 normally replaced or added during a main replacement project.

24  
25  
26 **Q. Why is the Division replacing these private lines?**

27 A. While the previous owners of the Company allowed these privately owned lines to be  
28 installed, they also had a long-standing practice of maintaining these lines if there were any

1 leaks which occurred on the lines after their installation. This practice was no longer  
2 followed after Consumers Water Company purchased ISW in 1986. As a result, the  
3 Company initially refused to repair water lines that were owned by private individuals or  
4 businesses and in many cases were located upon private property to which the Company  
5 did not have an easement for maintenance. This led to several formal complaints to the  
6 Commission by private line owners whose lines were in need of repair. A settlement of  
7 these complaints was negotiated that outlined a clear and precise handling of this issue in  
8 the future. This settlement requires the Division to maintain private water lines after first  
9 having each customer attached to a private water line sign an agreement which specifies  
10 the Company's obligation to maintain and eventually replace the line. Also, there was an  
11 understanding between the Company and the Commission Staff that the Company would  
12 diligently work to replace all the private water lines with properly sized water mains and  
13 properly spaced fire hydrants to provide customers with adequate water volume and  
14 pressure, improved water quality and fire protection.

15  
16 **Q. What are the other significant needs for infrastructure investment in coming years?**

17 A. Among the other significant needs outlined in the Program are the replacement of  
18 undersized and aged water mains, fire hydrants attached to undersized water mains and  
19 distribution system caused water quality and/or low pressure complaints. Additionally, the  
20 Division has a large number of lead service lines which require replacement, and several  
21 thousand water meters which are non-remote reading and beyond their normal life  
22 expectancy. These needs are described as follows:

23 (1) **The replacement of undersized and aged water mains.** This is a significant issue  
24 because 34.7 miles of the Company-owned 247 miles of main, or 14 percent are less  
25 than 6 inches in diameter. As noted in the previous discussion of private water lines,  
26 another 27 miles of water lines are extremely undersized private water lines for which  
27 the Company has the responsibility for maintenance and eventual replacement.  
28 Additionally, over 100 miles of water main or approximately 40 percent of the

1 Company-owned distribution system is pre-1940 vintage, and much of this water main  
2 is likely to be 80 – 100 years old. Lastly, over 65 percent of the water mains in the  
3 Division are unlined cast iron pipe which has a much higher breakage frequency than  
4 ductile iron pipe, the material used most exclusively for mains installed in the Division  
5 since 1986.

6 (2) **Fire hydrants attached to undersized water main.** There are 1,428 hydrants in the  
7 Division and of that total, 51 – or 3.6 percent – are attached to water mains that are 4  
8 inches in diameter. These hydrants will be replaced to improve fire flows.

9 (3) **Distribution system caused water quality and/or low-pressure complaints.** Due to  
10 the nature of the Division’s distribution, i.e. a large percentage of undersized and  
11 unlined cast iron pipe, private water lines, inadequate distribution grid enforcement  
12 and a large number of dead-end lines, numerous water quality and/or low pressure  
13 complaints are encountered in specific areas of the distribution system. The area west  
14 of the North Fork of the Vermilion River is a prime example. This area, which contains  
15 population of approximately 5,000, is supplied by a single 10-inch transmission water  
16 main. The area has numerous private water lines, miles of unlined and undersized cast  
17 iron pipe and numerous dead-end water mains. This combination results in numerous  
18 annual water quality and/or pressure complaints. Other areas throughout the  
19 distribution system are plagued by the same problem. Capital projects will be  
20 completed annually to address these problems.

21 (4) **The replacement of lead service lines.** Lead service lines were not viewed as  
22 problematic until the 1986 amendments to the SDWA. The amendments contained the  
23 Lead and Copper Rule which set stringent “Action Levels” for the regulation of lead  
24 and copper in drinking water. To avoid any potential violations of the Action Levels,  
25 the Division has a program to remove lead service lines from the distribution system. It  
26 is estimated that approximately 6,000 lead service lines still exist in the Division. The  
27 Division replaces approximately 100 lead service lines per year.

1       **(5) The replacement of old and non-remoted water meters.** The Division has  
2       approximately 17,800 meters in the system. Of this total, approximately 3,600 of these  
3       meters are generator remote meters, non-remote meters or meters over 20 years old.  
4       All of these meters need to be replaced with current remote reading technology to  
5       insure accurate customer billings and the efficiencies that are derived from remote  
6       water meter reading. These and other significant investment must be made to allow the  
7       Division to provide safe, reliable water service in the coming years.

8  
9       **Q.     Please comment on the data shown in CIWC Exhibit 3.1.**



1 A. CIWC Exhibit 3.1 shows the failure rate as well as the replacement rate for the 1996-2002  
2 period for the plant accounts applicable to T&D Mains, services, meters and hydrants.  
3 Data is shown on an historical basis for 1996-2000 and on a projected basis for 2001 and  
4 2002. Each account is addressed below:

5 **T&D Mains:** The failure rate has been an average of 40.4 failures per year with an  
6 average replacement rate of 0.37 percent over the five-year period. Based on the current  
7 rate (0.37%) all water mains would be replaced over 270 years. This replacement cycle is  
8 well in excess of the 90-year average service life used in the most recent rate order, ICC  
9 Docket No. 00-0337, 00-0338 and 00-0339 consolidated. The replacement rate will  
10 continue to increase due to the advanced age of the water mains, and the need to provide  
11 reliable water service.

12 **Services:** The failure rate has been an average of 74 service failures per year with an  
13 average replacement rate of 0.33 percent. Based on the current replacement rate (0.33%)  
14 all services would be replaced over 300 years. This replacement cycle is well in excess of  
15 the 60-year average service life assigned to services in the most recent rate order, ICC  
16 Docket No. 00-0337, 00-0338 and 00-0339 consolidated. Furthermore, the failure and  
17 rate replacement rates do not reflect the further need to replace lead service lines  
18 whether they have failed or not. The replacement rate will increase driven by the age of  
19 the existing services and the large quantity of lead services that must be replaced.

20 **Meters:** Complete stoppage of a meter is a rare circumstance. Generally, meters do not  
21 “fail” in this manner. They simply decline in accuracy below industry standards.  
22 Therefore, there is virtually no meter failure data available. However, the current average  
23 replacement rate is 8.63 percent. Based on the current replacement rate (8.63%) all  
24 meters would be changed out over 11.6 years. This replacement cycle is slightly longer  
25 than the 10-year testing (replacement) cycle established by the Commission. The  
26 replacement rate will increase to reach the 10-year testing schedule required by the  
27 Commission.

28 **Hydrants:** The failure rate has been an average of 27 hydrants per year with an average  
29 replacement rate of 1.96 percent. Based on the current replacement rate (1.96%) all  
30 hydrants would be replaced over 51 years. This replacement cycle is slightly in excess of

1 the 43-year average service life assigned to hydrants in the most recent rate case.  
2 Furthermore, the failure rate and replacement rate do not reflect the further need to  
3 replace two-way hydrants with three-way (two hose nozzles and a pumper nozzle)  
4 hydrants, the need to install auxiliary valves on hydrant branches so that a hydrant can be  
5 isolated from the water main without shutting down the main, and the need to replace  
6 hydrants on 4-inch water mains. All of these additional factors only exacerbate the  
7 replacement cycle problem. The replacement rate will increase due to the replacement of  
8 water mains and the current age of the hydrants.  
9

10 **Q. Is it your expectation that the replacement rates for the plant accounts listed in**  
11 **CIWC Exhibit 3.1 will increase?**

12 A. Yes. For T&D mains, services and hydrants, I expect that it will. As shown, in CIWC  
13 Exhibit 3.1, the replacement cycle for each of these accounts exceeded the average service  
14 life used for the respective plant accounts in the most recent rate order ICC Docket No.  
15 00-0337, 00-0338 and 00-0339 consolidated. The replacement rate for these accounts  
16 must be increased so that the replacement cycle will more closely reflect the useful life of  
17 these plant accounts. The average replacement rate for meters is not expected to change.  
18

19 **Q. Have you prepared the information required by Part 656.90?**

20 A. Yes, this information is included in CIWC Exhibits 3.1, 3.2 and 3.3.  
21

22 **Q. Mr. Rakocy sponsors CIWC Exhibit 1.6 (Rev.), which includes an estimate of the**  
23 **January 1, 2002 Surcharge Percentage for Vermilion Division and preliminary**  
24 **estimates of the information which would accompany the filing of the December**  
25 **2001 Information Sheet. Would you comment on this information?**

26 A. Yes. The information contained in CIWC Exhibit 1.6 (Rev.) indicates a surcharge  
27 percentage for the Vermilion Division of 1.06%. The surcharge will provide a return on  
28 and return of the investment of approximately \$899,000 in needed new investment to  
29 replace infrastructure as discussed above. The year 2003 is expected to have a like amount

1 of investment. Years 2004 and 2005 are expected to both have greater investment  
2 (approximately \$1,200,000) while essentially exclusively addressing water main projects  
3 and meter replacements.  
4

5 **Q. Does this conclude your testimony?**

6 A. Yes, it does.  
7